

CITY OF JEFFERSON, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	January, 2016
Shannon Black	Mayor Pro-Tem	January, 2016
Larry Teeple	Council Member	January, 2018
Lisa Jaskey	Council Member	January, 2016
Gary Von Ahsen	Council Member	January, 2018
Harry Ahrenholtz	Council Member	January, 2018
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID L. HANNASCH
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CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Jefferson's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jefferson's basic financial statements. The financial statements for the nine years ended June 30, 2013 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 24 through 29, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, budgetary comparison information, on pages 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2015 on our consideration of the City of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Jefferson's internal control over financial reporting and compliance.

Gwendolyn, Ben, Kyhn & Co., P.C.

Atlantic, Iowa
February 25, 2015

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 619,909	\$ 35,137	\$ 52,533
Public works	478,777	--	433,865
Health and social services	12,510	--	--
Culture and recreation	1,027,617	365,700	91,451
Community and economic development	803,432	--	59,294
General government	530,120	42,037	9,785
Debt service	480,622	--	--
Capital projects	640,648	--	--
Total governmental activities	<u>4,593,635</u>	<u>442,874</u>	<u>646,928</u>
Business type activities:			
Water	587,961	964,862	--
Sewer	725,026	849,306	1,963
Sanitation	575,638	477,216	--
Recycling	131,854	132,513	453
Total business type activities	<u>2,020,479</u>	<u>2,423,897</u>	<u>2,416</u>
Component Unit:			
Airport	<u>194,795</u>	<u>--</u>	<u>3,054</u>
Total	<u>\$ 6,808,909</u>	<u>\$ 2,866,771</u>	<u>\$ 652,398</u>

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position				Major Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government		
\$ --	\$ (532,239)	\$ --	\$ (532,239)	\$ --	
--	(44,912)	--	(44,912)	--	
--	(12,510)	--	(12,510)	--	
--	(570,466)	--	(570,466)	--	
223,224	(520,914)	--	(520,914)	--	
--	(478,298)	--	(478,298)	--	
--	(480,622)	--	(480,622)	--	
--	(640,648)	--	(640,648)	--	
<u>223,224</u>	<u>(3,280,609)</u>	<u>--</u>	<u>(3,280,609)</u>	<u>--</u>	
--	--	376,901	376,901	--	
--	--	126,243	126,243	--	
--	--	(98,422)	(98,422)	--	
--	--	<u>1,112</u>	<u>1,112</u>	--	
--	--	<u>405,834</u>	<u>405,834</u>	<u>191,741</u>	
--	<u>(3,280,609)</u>	<u>405,834</u>	<u>(2,874,775)</u>	<u>(191,741)</u>	
<u>\$ 223,224</u>					

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
General Receipts and Transfers:		
Property tax levied for:		
General purposes		
Debt service		
Tax increment financing		
Hotel/motel tax		
Cable television taxes		
Local option sales tax		
Unrestricted interest on investments		
Miscellaneous		
Rent/dividend		
Transfers		
Total general receipts and transfers		
Change in cash basis net position		
Cash basis net position beginning of year		
Cash basis net position end of year		
Cash Basis Net Position		
Restricted:		
Non Expendable:		
Cemetery perpetual care		
Expendable:		
Streets		
Urban renewal purposes		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Major Discretely Presented Component Unit
	\$ 1,483,416	\$ --	\$ 1,483,416	\$ --
	361,385	--	361,385	--
	121,253	--	121,253	--
	45,966	--	45,966	--
	31,887	--	31,887	--
	386,200	--	386,200	--
	3,489	4,411	7,900	--
	52,861	45,131	97,992	19,299
	--	--	--	62,131
	73,500	(73,500)	--	--
	<u>2,559,957</u>	<u>(23,958)</u>	<u>2,535,999</u>	<u>81,430</u>
	(720,652)	381,876	(338,776)	(110,311)
	<u>3,072,274</u>	<u>3,017,294</u>	<u>6,089,568</u>	<u>55,462</u>
	<u>\$ 2,351,622</u>	<u>\$ 3,399,170</u>	<u>\$ 5,750,792</u>	<u>\$ (54,849)</u>
	\$ 178,162	\$ --	\$ 178,162	\$ --
	197,235	--	197,235	--
	(294,935)	--	(294,935)	--
	1,201,981	28,061	1,230,042	--
	575,764	--	440,711	--
	<u>493,415</u>	<u>3,371,109</u>	<u>3,999,577</u>	<u>(54,849)</u>
	<u>\$ 2,351,622</u>	<u>\$ 3,399,170</u>	<u>\$ 5,750,792</u>	<u>\$ (54,849)</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 1,014,282	\$ --	\$ --	\$ 469,134
Tax increment financing	--	--	--	--
Other city tax	77,853	--	386,200	--
Licenses and permits	28,408	--	--	--
Use of money and property	22,906	--	--	--
Intergovernmental	92,296	433,865	--	--
Charges for service	339,652	--	--	--
Miscellaneous	107,939	7,709	4,385	--
Total receipts	<u>1,683,336</u>	<u>441,574</u>	<u>390,585</u>	<u>469,134</u>
Disbursements:				
Operating:				
Public safety	618,298	--	--	--
Public works	51,803	426,974	--	--
Health and social services	--	--	--	--
Culture and recreation	1,013,596	--	--	--
Community and economic development	265,492	--	--	--
General government	530,120	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	507,279	--
Total disbursements	<u>2,479,309</u>	<u>426,974</u>	<u>507,279</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(795,973)	14,600	(116,694)	469,134
Other financing sources (uses):				
Operating transfers in	673,813	--	--	--
Operating transfers out	(51,017)	(52,000)	--	(450,813)
Total other financing sources (uses)	<u>622,796</u>	<u>(52,000)</u>	<u>--</u>	<u>(450,813)</u>
Change in cash balances	(173,177)	(37,400)	(116,694)	18,321
Cash balances beginning of year	<u>666,592</u>	<u>234,635</u>	<u>314,222</u>	<u>233,717</u>
Cash balances end of year	<u>\$ 493,415</u>	<u>\$ 197,235</u>	<u>\$ 197,528</u>	<u>\$ 252,038</u>

(continued next page)

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 361,385	\$ --	\$ 1,844,801
--	121,253	121,253
--	--	464,053
--	--	28,408
--	162	23,068
--	239,665	765,826
--	--	339,652
--	92,389	212,422
<u>361,385</u>	<u>453,469</u>	<u>3,799,483</u>
--	1,611	619,909
--	--	478,777
--	12,510	12,510
--	14,021	1,027,617
--	537,940	803,432
--	--	530,120
376,322	104,300	480,622
--	133,369	640,648
<u>376,322</u>	<u>803,751</u>	<u>4,593,635</u>
(14,937)	(350,282)	(794,152)
112,173	439,303	1,225,289
(360,786)	(237,173)	(1,151,789)
(248,613)	202,130	73,500
(263,550)	(148,152)	(720,652)
<u>1,465,531</u>	<u>157,577</u>	<u>3,072,274</u>
<u>\$ 1,201,981</u>	<u>\$ 9,425</u>	<u>\$ 2,351,622</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	197,235	--	--
Urban renewal purpose	--	--	--	--
Debt service	--	--	--	--
Other purposes	--	--	197,528	252,038
Unassigned	<u>493,415</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 493,415</u>	<u>\$ 197,235</u>	<u>\$ 197,528</u>	<u>\$ 252,038</u>

The accompanying notes are an integral part of these statements.

Exhibit B

<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 178,162	\$ 178,162
--	--	197,235
--	(294,935)	(294,935)
1,201,981	--	1,201,981
--	126,198	575,764
<u>--</u>	<u>--</u>	<u>493,415</u>
<u>\$ 1,201,981</u>	<u>\$ 9,425</u>	<u>\$ 2,351,622</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ --
Charges for service	<u>964,862</u>	<u>849,306</u>
Total operating receipts	964,862	849,306
Operating disbursements:		
Business type activities	<u>587,961</u>	<u>412,229</u>
Total operating disbursements	<u>587,961</u>	<u>412,229</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	376,901	437,077
Non-operating receipts (disbursements):		
Intergovernmental	--	1,963
Interest on investments	2,171	2,240
Miscellaneous	24,093	19,048
Debt service	<u>--</u>	<u>(312,797)</u>
Net non-operating receipts (disbursements)	<u>26,264</u>	<u>(289,546)</u>
Excess of receipts over disbursements	403,165	147,531
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	<u>(62,000)</u>	<u>(52,000)</u>
Total other financing sources (uses)	<u>(62,000)</u>	<u>(52,000)</u>
Change in cash balances	341,165	95,531
Cash balances beginning of year	<u>1,888,388</u>	<u>736,582</u>
Cash balances end of year	<u>\$ 2,229,553</u>	<u>\$ 832,113</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 28,061
Unrestricted	<u>2,229,553</u>	<u>804,052</u>
Total cash basis fund balances	<u>\$ 2,229,553</u>	<u>\$ 832,113</u>

The accompanying notes are an integral part of these statements.

Enterprise		Total	Component Unit - Airport
Sanitation	Recycling Nonmajor		
\$ --	\$ --	\$ --	\$ 62,131
<u>477,216</u>	<u>132,513</u>	<u>2,423,897</u>	<u>--</u>
477,216	132,513	2,423,897	62,131
<u>575,638</u>	<u>129,166</u>	<u>1,704,994</u>	<u>194,795</u>
575,638	129,166	1,704,994	194,795
(98,422)	3,347	718,903	(132,664)
--	453	2,416	3,054
--	--	4,411	--
98	1,892	45,131	19,299
<u>--</u>	<u>(2,688)</u>	<u>(315,485)</u>	<u>--</u>
98	(343)	(263,527)	22,353
(98,324)	3,004	455,376	(110,311)
125,000	--	125,000	--
<u>(72,000)</u>	<u>(12,500)</u>	<u>(198,500)</u>	<u>--</u>
53,000	(12,500)	(73,500)	--
(45,324)	(9,496)	381,876	(110,311)
<u>258,586</u>	<u>133,738</u>	<u>3,017,294</u>	<u>55,462</u>
<u>\$ 213,262</u>	<u>\$ 124,242</u>	<u>\$ 3,399,170</u>	<u>\$ (54,849)</u>
\$ --	\$ --	\$ 28,061	\$ --
<u>213,262</u>	<u>124,242</u>	<u>3,371,109</u>	<u>(54,849)</u>
<u>\$ 213,262</u>	<u>\$ 124,242</u>	<u>\$ 3,399,170</u>	<u>\$ (54,849)</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jefferson, Iowa is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, sanitation and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operating the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E-911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2014.

City officials are also members of the North Dallas County Landfill Commission. See Note 9 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Employee Benefits Fund is used to account for the collection and use of tax levied for the cost of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise Sanitation Fund accounts for the operation of the City's sanitation services.

The City reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the public works, culture and recreation, debt service, capital projects and business type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,327 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,327. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$374 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 425,000	\$ 39,750	\$ 235,000	\$ 55,900
2016	400,000	34,500	240,000	50,847
2017	405,000	30,250	245,000	45,688
2018	305,000	25,450	250,000	40,420
2019	310,000	22,095	255,000	35,045
2020-2024	<u>1,110,000</u>	<u>42,950</u>	<u>1,375,000</u>	<u>89,763</u>
	<u>\$ 2,955,000</u>	<u>\$ 194,995</u>	<u>\$ 2,600,000</u>	<u>\$ 317,663</u>

Year Ending June 30,	Total	
	Principal	Interest
2015	\$ 660,000	\$ 95,650
2016	640,000	85,347
2017	650,000	75,938
2018	555,000	65,870
2019	565,000	57,140
2020-2024	<u>2,485,000</u>	<u>132,713</u>
	<u>\$ 5,555,000</u>	<u>\$ 512,658</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Bonds

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay \$3,348,000 of sewer revenue bonds issued March, 2012. Proceeds of the bonds provided financing for the construction of sewer main improvements. The bonds are payable solely from the sewer customer net receipts. The sewer revenue bonds are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 72% of net receipts. Total principal and interest remaining to be paid on the bonds is \$2,600,000. Principal and interest paid during the year for the sewer revenue bonds was \$312,297 and total customer net receipts were \$437,077.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account within the Enterprise Funds for the sole purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$139,800, \$136,600, and \$124,000, respectively, equal to the required contribution for each year.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 32 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$462 for single coverage and \$1,054 for family coverage. For the year ended June 30, 2014, the City contributed \$345,052 and plan members eligible for benefits contributed \$35,523 to the plan.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 20,000
Sick leave	<u>5,000</u>
Total	<u>\$ 25,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 52,000
	Employee Benefits	450,813
	Enterprise:	
	Water	62,000
	Sewer	52,000
	Sanitation	52,000
	Recycling	5,000
		<u>673,813</u>
Special Revenue:		
Health Insurance	General	9,000
Library	General	4,000
Housing Rehabilitation	General	16,621
Equipment Replacement	General	21,396
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>48,896</u>
Downtown Streetscape	Debt Service	300,816
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	112,173
Capital Projects	Debt Service	59,970
Enterprise:	Special Revenue:	
Sanitation	Equipment Replacement	<u>125,000</u>
		<u>\$ 1,350,289</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - NORTH DALLAS COUNTY LANDFILL

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

NOTE 10 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2014, the City received a total of \$39,819 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11 - HEALTH INSURANCE

The City's health insurance plan includes a deductible of \$1,500 for single coverage and \$3,000 for family coverage. The City reimburses the first \$1,200 of the deductibles for individuals with single coverage and the first \$2,400 of the deductibles for individuals with family coverage after the employee has paid at least \$200 of the deductible on a single policy and \$400 of the deductible on a family policy. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2014, the City reimbursed employees a total of \$26,623. The maximum liability the City could pay out in one fiscal year is \$83,200 based on the number of employees under single or family insurance at June 30, 2014.

NOTE 12 - DEFICIT FUND BALANCES

The following funds had a deficit balance at June 30, 2014:

Special Revenue:	
Cemetery Land Reserve	\$ 1,419
Downtown Streetscape	400,000
Urban Renewal Tax Increment	294,935
Enterprise:	
Airport Improvements	142,074

The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 13 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$4,460,000 that have remaining commitments at June 30, 2014 of approximately \$1,913,000.

NOTE 14 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 15 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through February 25, 2015, the date the financial statements were available to be issued.

NOTE 16 - RECLASSIFICATION OF BALANCES

The June 30, 2013 cash basis fund balance amounts of certain funds on the statements of cash receipts, disbursements and changes in cash balances for governmental and proprietary funds have been reclassified to be comparable to the reporting of the funds at June 30, 2014. The changes had no effect on the total cash basis fund balance of the City.

* * *

OTHER INFORMATION

CITY OF JEFFERSON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Discretely Presented Component Unit Included in the Budget</u>
Receipts:			
Property tax	\$ 1,844,801	\$ --	\$ --
Tax increment financing	121,253	--	--
Other city tax	464,053	--	--
Licenses and permits	28,408	--	--
Use of money and property	23,068	4,411	62,131
Intergovernmental	765,826	2,416	3,054
Charges for service	339,652	2,423,897	--
Miscellaneous	212,422	45,131	19,299
Total receipts	<u>3,799,483</u>	<u>2,475,855</u>	<u>84,484</u>
Disbursements:			
Public safety	619,909	--	--
Public works	478,777	--	--
Health and social services	12,510	--	--
Culture and recreation	1,027,617	--	--
Community and economic development	803,432	--	--
General government	530,120	--	--
Debt service	480,622	--	--
Capital projects	640,648	--	--
Business type activities	--	2,020,479	194,795
Total disbursements	<u>4,593,635</u>	<u>2,020,479</u>	<u>194,795</u>
Excess (deficiency) of receipts over (under) disbursements	(794,152)	455,376	(110,311)
Other financing sources (uses), net	<u>73,500</u>	<u>(73,500)</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(720,652)	381,876	(110,311)
Balances beginning of year	<u>3,072,274</u>	<u>3,017,294</u>	<u>55,462</u>
Balances end of year	<u>\$ 2,351,622</u>	<u>\$ 3,399,170</u>	<u>\$ (54,849)</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amount</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,844,801	\$ 1,756,873	\$ 1,756,873	\$ 87,928
121,253	145,651	145,651	(24,398)
464,053	439,617	439,617	24,436
28,408	14,250	20,850	7,558
89,610	74,152	76,552	13,058
771,296	479,516	479,516	291,780
2,763,549	2,859,489	2,892,289	(128,740)
276,852	51,800	127,150	149,702
<u>6,359,822</u>	<u>5,821,348</u>	<u>5,938,498</u>	<u>421,324</u>
619,909	589,812	631,812	11,903
478,777	378,664	378,664	(100,113)
12,510	14,000	14,000	1,490
1,027,617	896,285	986,285	(41,332)
803,432	278,651	875,651	72,219
530,120	506,955	556,955	26,835
480,622	351,786	466,786	(13,836)
640,648	310,000	310,000	(330,648)
2,215,274	1,811,780	1,911,780	(303,494)
<u>6,808,909</u>	<u>5,137,933</u>	<u>6,131,933</u>	<u>(676,976)</u>
(449,087)	683,415	(193,435)	(255,652)
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(449,087)	683,415	(193,435)	(255,652)
<u>6,145,030</u>	<u>5,567,933</u>	<u>5,567,933</u>	<u>577,097</u>
<u>\$ 5,695,943</u>	<u>\$ 6,251,348</u>	<u>\$ 5,374,498</u>	<u>\$ 321,445</u>

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds, and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$994,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the public works, culture and recreation, debt service, capital projects and business type activities functions.

SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	Special Revenue			
	Cafeteria Plan	Payroll Clearing	Urban Renewal Tax Increment	Police Federal Forfeiture
Receipts:				
Tax increment financing	\$ --	\$ --	\$ 121,253	\$ --
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	900
Miscellaneous	5,400	--	--	--
Total receipts	5,400	--	121,253	900
Disbursements:				
Operating:				
Public safety	--	--	--	1,611
Health and social services	3,749	--	--	--
Culture and recreation	--	--	--	--
Community and economic development	--	--	328,461	--
Debt service	--	--	104,300	--
Capital projects	--	--	--	--
Total disbursements	3,749	--	432,761	1,611
Excess (deficiency) of receipts over (under) disbursements	1,651	--	(311,508)	(711)
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Operating transfers out	--	--	(112,173)	--
Total other financing sources	--	--	(112,173)	--
Change in cash balances	1,651	--	(423,681)	(711)
Cash balances beginning of year	3,426	7,333	128,746	1,687
Cash balances end of year	<u>\$ 5,077</u>	<u>\$ 7,333</u>	<u>\$ (294,935)</u>	<u>\$ 976</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Urban renewal	--	--	(294,935)	--
Other purposes	5,077	7,333	--	976
Total cash basis fund balances	<u>\$ 5,077</u>	<u>\$ 7,333</u>	<u>\$ (294,935)</u>	<u>\$ 976</u>

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Special Revenue					
Health Insurance	Equipment Replacement	Unemployment Compensation	Industrial Development	Community Center	Cemetery Mausoleum
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	75	--	32	2	50
--	--	--	--	--	--
<u>23,139</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
23,139	75	--	32	2	50
--	--	--	--	--	--
8,761	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>8,761</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
14,378	75	--	32	2	50
9,000	48,896	--	--	--	--
--	(125,000)	--	--	--	--
<u>9,000</u>	<u>(76,104)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
23,378	(76,029)	--	32	2	50
<u>39,991</u>	<u>171,094</u>	<u>28,600</u>	<u>34,857</u>	<u>5,783</u>	<u>11,304</u>
<u>\$ 63,369</u>	<u>\$ 95,065</u>	<u>\$ 28,600</u>	<u>\$ 34,889</u>	<u>\$ 5,785</u>	<u>\$ 11,354</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
<u>63,369</u>	<u>95,065</u>	<u>28,600</u>	<u>34,889</u>	<u>5,785</u>	<u>11,354</u>
<u>\$ 63,369</u>	<u>\$ 95,065</u>	<u>\$ 28,600</u>	<u>\$ 34,889</u>	<u>\$ 5,785</u>	<u>\$ 11,354</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	Special Revenue			
	Library	Skate Park	Cemetery Land Reserve	LEC Capital Improvement
Receipts:				
Tax increment financing	\$ --	\$ --	\$ --	\$ --
Use of money and property	--	--	3	--
Intergovernmental	13,576	--	--	--
Miscellaneous	13,893	--	--	--
Total receipts	<u>27,469</u>	<u>--</u>	<u>3</u>	<u>--</u>
Disbursements:				
Operating:				
Public safety	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	12,056	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	<u>12,056</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	15,413	--	3	--
Other financing sources (uses):				
Operating transfers in	4,000	--	--	--
Operating transfers out	--	--	--	--
Total other financing sources	<u>4,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Change in cash balances	19,413	--	3	--
Cash balances beginning of year	<u>43,866</u>	<u>1,525</u>	<u>(1,422)</u>	<u>13,840</u>
Cash balances end of year	<u>\$ 63,279</u>	<u>\$ 1,525</u>	<u>\$ (1,419)</u>	<u>\$ 13,840</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Urban renewal purpose	--	--	--	--
Other purposes	<u>63,279</u>	<u>1,525</u>	<u>(1,419)</u>	<u>13,840</u>
Total cash basis fund balances	<u>\$ 63,279</u>	<u>\$ 1,525</u>	<u>\$ (1,419)</u>	<u>\$ 13,840</u>

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Special Revenue					
Enrich Iowa	Downtown Streetscape	Housing Rehabilitation	Neighborhood Stabilization	Insurance and Employee Benefits	Capital Projects
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
1,965	--	141,261	81,963	--	--
--	46,937	--	1,370	--	--
<u>1,965</u>	<u>46,937</u>	<u>141,261</u>	<u>83,333</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	--
--	--	--	--	--	--
1,965	--	--	--	--	--
--	--	145,761	63,718	--	--
--	--	--	--	--	--
--	86,840	--	--	--	46,529
<u>1,965</u>	<u>86,840</u>	<u>145,761</u>	<u>63,718</u>	<u>--</u>	<u>46,529</u>
--	(39,903)	(4,500)	19,615	--	(46,529)
--	300,816	16,621	--	--	59,970
--	--	--	--	--	--
--	<u>300,816</u>	<u>16,621</u>	<u>--</u>	<u>--</u>	<u>59,970</u>
--	260,913	12,121	19,615	--	13,441
<u>1,388</u>	<u>(660,913)</u>	<u>(12,121)</u>	<u>109,956</u>	<u>45,090</u>	<u>7,035</u>
<u>\$ 1,388</u>	<u>\$ (400,000)</u>	<u>\$ --</u>	<u>\$ 129,571</u>	<u>\$ 45,090</u>	<u>\$ 20,476</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
<u>1,388</u>	<u>(400,000)</u>	<u>--</u>	<u>129,571</u>	<u>45,090</u>	<u>20,476</u>
<u>\$ 1,388</u>	<u>\$ (400,000)</u>	<u>\$ --</u>	<u>\$ 129,571</u>	<u>\$ 45,090</u>	<u>\$ 20,476</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Receipts:		
Tax increment financing	\$ --	\$ 121,253
Use of money and property	--	162
Intergovernmental	--	239,665
Miscellaneous	<u>1,650</u>	<u>92,389</u>
Total receipts	1,650	453,469
Disbursements:		
Operating:		
Public safety	--	1,611
Health and social services	--	12,510
Culture and recreation	--	14,021
Community and economic development	--	537,940
Debt service	--	104,300
Capital projects	<u>--</u>	<u>133,369</u>
Total disbursements	<u>--</u>	<u>803,751</u>
Excess (deficiency) of receipts over (under) disbursements	1,650	(350,282)
Other financing sources (uses):		
Operating transfers in	--	439,303
Operating transfers out	<u>--</u>	<u>(237,173)</u>
Total other financing sources	<u>--</u>	<u>202,130</u>
Change in cash balances	1,650	(148,152)
Cash balances beginning of year	<u>176,512</u>	<u>157,577</u>
Cash balances end of year	<u>\$ 178,162</u>	<u>\$ 9,425</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ 178,162	\$ 178,162
Restricted for:		
Urban renewal purpose	--	(294,935)
Other purposes	<u>--</u>	<u>126,198</u>
Total cash basis fund balances	<u>\$ 178,162</u>	<u>\$ 9,425</u>

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Urban renewal corporate purpose	June 12, 2012	.75-1.90%	\$ 2,325,000
Refunding	April 4, 2012	1.00%	995,000
Corporate purpose	November 30, 2012	2.00%	405,000
Total General Obligation Bonds			
Revenue Bonds:			
Sewer	March 15, 2012	2.15%	3,348,000
Recycling truck	October 1, 2007	3.00%	59,749

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 2,325,000	\$ --	\$ --	\$ 2,325,000	\$ 30,400	\$ 2,533
655,000	--	330,000	325,000	6,550	271
<u>405,000</u>	<u>--</u>	<u>100,000</u>	<u>305,000</u>	<u>12,172</u>	<u>508</u>
<u>\$ 3,385,000</u>	<u>\$ --</u>	<u>\$ 430,000</u>	<u>\$ 2,955,000</u>	<u>\$ 49,122</u>	<u>\$ 3,312</u>
<u>\$ 2,851,000</u>	<u>\$ --</u>	<u>\$ 251,000</u>	<u>\$ 2,600,000</u>	<u>\$ 61,297</u>	<u>\$ 4,658</u>
<u>\$ 2,667</u>	<u>\$ --</u>	<u>\$ 2,667</u>	<u>\$ --</u>	<u>\$ 21</u>	<u>\$ --</u>

CITY OF JEFFERSON, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

General Obligation Bonds							
Year ending June 30,	Urban Renewal Corporate Purpose		Refunding Bonds		Corporate Purpose Issued November, 2012		
	Issued June, 2012		Issued April, 2012		Interest		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2015		\$ --	1.00%	\$ 325,000	2.00%	\$ 100,000	\$ 425,000
2016	.75%	300,000			2.00%	100,000	400,000
2017	.90%	300,000			2.00%	105,000	405,000
2018	1.10%	305,000					305,000
2019	1.30%	310,000					310,000
2020	1.45%	315,000					315,000
2021	1.55%	320,000					320,000
2022	1.75%	325,000					325,000
2023	1.90%	150,000					150,000
		<u>\$2,325,000</u>		<u>\$ 325,000</u>		<u>\$ 305,000</u>	<u>\$2,955,000</u>

Revenue Bonds		
Sewer		
Issued March, 2012		
Year ending June 30,	Interest	
	Rates	Amount
2015	2.15%	\$ 235,000
2016	2.15%	240,000
2017	2.15%	245,000
2018	2.15%	250,000
2019	2.15%	255,000
2020	2.15%	265,000
2021	2.15%	270,000
2022	2.15%	275,000
2023	2.15%	280,000
2024	2.15%	285,000
		<u>\$2,600,000</u>

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 1,844,801	\$ 1,812,279	\$ 1,794,961	\$ 1,719,267
Tax increment financing	121,253	123,983	52,999	126,533
Other city tax	464,053	441,741	413,014	425,258
Licenses and permits	28,408	22,408	23,099	16,912
Use of money and property	23,068	4,409	4,829	12,345
Intergovernmental	765,826	984,128	1,047,001	1,399,726
Charges for service	339,652	438,195	423,233	368,017
Miscellaneous	<u>212,422</u>	<u>362,274</u>	<u>440,640</u>	<u>142,873</u>
Total	<u>\$ 3,799,483</u>	<u>\$ 4,189,417</u>	<u>\$ 4,199,776</u>	<u>\$ 4,210,931</u>
Disbursements:				
Operating:				
Public safety	\$ 619,909	\$ 592,421	\$ 839,472	\$ 556,021
Public works	478,777	411,183	370,876	670,334
Health and social services	12,510	21,065	16,365	9,166
Culture and recreation	1,027,617	895,093	938,327	808,607
Community and economic development	803,432	1,063,153	754,177	846,638
General government	530,120	507,874	488,136	478,417
Debt service	480,622	414,524	1,360,326	353,579
Capital projects	640,648	2,231,786	1,281,238	472,417
Business type activities	<u>--</u>	<u>130,698</u>	<u>120,628</u>	<u>108,057</u>
Total	<u>\$ 4,593,635</u>	<u>\$ 6,267,797</u>	<u>\$ 6,169,545</u>	<u>\$ 4,303,236</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,691,846	\$ 1,664,104	\$ 1,558,793	\$ 1,586,705	\$ 1,599,116	\$ 1,535,837
114,103	113,542	358,511	307,079	251,752	206,592
425,470	461,913	335,753	144,994	56,549	55,725
23,739	17,592	26,435	33,796	18,089	18,303
18,029	29,917	35,073	35,863	16,862	14,096
1,387,136	518,174	691,411	742,255	950,415	915,590
372,619	377,566	395,006	413,822	456,697	457,735
<u>88,851</u>	<u>389,056</u>	<u>104,313</u>	<u>97,895</u>	<u>72,250</u>	<u>107,909</u>
<u>\$ 4,121,793</u>	<u>\$ 3,571,864</u>	<u>\$ 3,505,295</u>	<u>\$ 3,362,409</u>	<u>\$ 3,421,730</u>	<u>\$ 3,311,787</u>
\$ 599,584	\$ 522,416	\$ 586,397	\$ 497,633	\$ 496,320	\$ 489,929
548,141	395,213	398,133	371,245	404,907	440,591
555,759	224,503	608,126	297,139	15,142	8,492
4,755	9,202	6,740	7,988	883,826	803,456
809,681	865,424	834,445	871,208	478,638	410,310
456,253	447,921	867,015	435,667	449,568	391,135
334,210	337,605	461,684	588,602	595,908	1,700,641
571,143	583,660	59,528	155,407	878,420	2,344,771
<u>105,400</u>	<u>114,192</u>	<u>81,851</u>	<u>207,691</u>	<u>80,398</u>	<u>--</u>
<u>\$ 3,984,926</u>	<u>\$ 3,500,136</u>	<u>\$ 3,903,919</u>	<u>\$ 3,432,580</u>	<u>\$ 4,283,127</u>	<u>\$ 6,589,325</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jefferson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jefferson's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Jefferson's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Jefferson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Garnett, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
February 25, 2015

CITY OF JEFFERSON, IOWA

Schedule of Findings

Year ended June 30, 2014

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

I-A-14 Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA

Schedule of Findings

Year ended June 30, 2014

PART II: Other Findings Related to Statutory Reporting

II-A-14 Certified Budget: Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, culture and recreation, debt service, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: In the future the budget will be amended before disbursements are allowed that would exceed the City's spending authority.

Conclusion: Response accepted.

II-B-14 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

II-D-14 Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Derek Teeple, brother of employee and son of Council Member, owner of Teeple Heating and Cooling	Services	\$ 1,418
Danny Moranville and Craig Kinsey, City employees and owners of Cityboys Elite Concrete	Services	1,638

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individuals do not represent conflicts of interest. The services with Teeple Heating and Cooling and Cityboys Elite Concrete were entered into through the competitive bidding process.

CITY OF JEFFERSON, IOWA

Schedule of Findings

Year ended June 30, 2014

PART II: Other Findings Related to Statutory Reporting - Continued

II-E-14 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-14 Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-14 Deposits and Investments: The City and its component unit own \$2,327 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

II-H-14 Depository Resolution: The City was not able to locate its current resolution naming its official depositories and maximum covered deposit amounts as required by Chapter 12C of the Code of Iowa.

Recommendation: We recommend that the City adopt a depository resolution naming its official depositories and maximum covered deposit amounts for each depository in accordance with Chapter 12C of the Code of Iowa.

Response: A depository resolution will be adopted.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA

Schedule of Findings

Year ended June 30, 2014

PART II: Other Findings Related to Statutory Reporting - Continued

II-I-14 Financial Condition: The following funds had deficit balances at June 30, 2014.

Special Revenue - Cemetery Land Reserve	\$	1,419
Downtown Streetscape		400,000
Tax Increment Financing		294,935
Component Unit - Airport Improvement		142,074

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position

Response: The deficits will be eliminated.

Conclusion: Response accepted.

II-J-14 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *